



South Coast Air Quality Management District

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BOARD MEETING DATE: May 2, 2008

AGENDA NO.

PROPOSAL: Adopt Proposed Amended Regulation III - Fees

SYNOPSIS: Staff is proposing an increase of 4.1% equivalent to the change in the 2007 Consumer Price Index for all fee categories, except those for which the Board adopted a 3-year phased fee increase in 2006, which includes a 10% increase this year to continue cost recovery efforts and fund the 2008-09 Budget. Staff is also proposing to amend the Annual Emissions Reporting from a fiscal year to a calendar year reporting time period to align with the CARB mandatory Greenhouse Gas Reporting Program, and other minor adjustments and clarifications.

COMMITTEE: Stationary Source, April 18, 2008

RECOMMENDED ACTION:

Adopt the attached resolution:

1. Certifying the Notice of Exemption for Proposed Amended Rules 301 – Permitting and Associated Fees, 303 – Hearing Board Fees, 304 – Equipment, Materials and Ambient Air Analyses, 304.1 – Analyses Fees, 306 – Plan Fees, 307.1 – Alternative Fees for Air Toxics Emissions Inventory, 308 – On-Road Motor Vehicle Mitigation Options Fees, 309 – Fees for Regulation XVI, 311 – Air Quality Investment Program (AQIP) Fees, and Rule 313 – Authority to Adjust Fees and Due Dates.
2. Adopt Proposed Amended Regulation III - Fees to:
 - a) In FY 08-09 implement the increase of 10 percent for Permit Processing Fees, Annual Operating Permit Renewal Fees and Annual Operating Emission Fees adopted by the Board on June 9, 2006; and
 - b) Increase all other fees, as applicable, by a rate of 4.1 percent which is equivalent to the 2007 change in the California Consumer Price Index (CPI), to adjust for inflation and continue better recovering program costs; and
 - c) Limit the term of credit in annual permit renewal fees for facilities that install on-site solar power generation and exclude those projects funded by grants from the Rule 1309.1 – Priority Reserve account from any credit; and

- d) Change Annual Emissions Reporting (AER) from a fiscal year (FY) to a calendar year (CY) reporting time period to align the AER program with the California Air Resources Board (CARB) mandatory CY reporting requirement for Greenhouse Gas (GHG) emissions, and
- e) Revise the Portable Equipment Registration Program (PERP) fee for consistency with changes implemented by the CARB; and
- f) Clarify that the same fees are charged for processing of identical Emission Reduction Credits (ERCs) as for other identical permit applications; and
- g) Clarify that for Rule 301 Table III – Emission Fees, the fee due for 100 tons per year of emissions is the same as the fee due for emissions greater than 100 tons per year; and
- h) Exclude Rule 2449-Control of Oxides of Nitrogen from Off-Road Diesel Vehicles plans from Rule 306-Plan Fees requirements to pay a plan fee since these are incentive type projects with resources already budgeted for such expenses, and
- i) Clarify or correct certain existing language, with negligible or no fiscal impact.

Barry R. Wallerstein, D.Env.
Executive Officer

EC:LT:LB:RP:HP

Background

Regulation III – Fees, establishes the fee rates and schedules associated with permitting, annual renewals, emissions and other activities that help fund most of AQMD's regulatory programs and services. Shortfalls exist despite the significant budget reductions adopted and continuous improvements in performance and efficiency. Key contributors to the shortfalls include the declining emissions fee revenues, including the continued reduction of Nitrogen Oxide (NOx) emissions from RECLAIM sources, and legally mandated retirement contributions. In addition, due to the provisions of Rule 2002(f)(1)(A) effective January 2007, NOx emissions fees from RECLAIM sources will continue to decline due to a mandatory annual reduction each year.

To address the shortfall in revenues, staff adopted amendments to the fee rule at the June 9, 2006 public hearing to more fully recover specific program costs and fee increases. The adopted amendment included a 3.65 percent fee increase (the change in the 2005 California Consumer Price Index) for all source categories for fiscal year (FY) 06-07, except for permitting, annual renewal and emission fees which are to be increased by 10 percent annually for 3 years (FY 06-07, FY 07-08 and FY 08-09), to more fully recover program costs.

The current proposal seeks to increase fees other than Permit Processing, Annual Operating Permit Renewal and Annual Operating Emissions Fees by the change in the 2007 CPI. Increasing fees by the change in the 2007 CPI will relieve inflationary pressure on the recovery action taken by the Board at the June 9, 2006 Board hearing and as such seeks to preserve the goal of more closely aligning revenues with program costs. Cost recovery proposals include a modification of the provision for credit on annual renewals for on site installed solar power generation and of the Portable Equipment Registration Program (PERP) for consistency with changes implemented by the California Air Resources Board (CARB). Other amendments are administrative in nature and include clarification and correction of existing language with negligible or no fee increase.

California Health and Safety Code Section 40500, et seq., established AQMD's authority to adopt rules and regulations, including fee schedules intended to cover AQMD's actual costs of cleaning the air. There are currently twelve rules within Regulation III - Fees that set fees and procedures in three major categories:

- (1) Permitting, including permit processing and annual renewals of permits to stationary sources;
- (2) Annual emission fees for facilities that have the potential to emit or have emitted toxic or criteria air contaminants; and
- (3) Other District services including variances from the Hearing Board, compliance monitoring and testing, review of emission control plans, registration programs and certain training programs.

California Health and Safety Code sections relating to the fees of the AQMD allow staff to align fees with costs to recover program costs. The current proposal seeks to continue the goal of maintaining better cost recovery by compensating for inflation. The proposed Fiscal Year 2008-09 Budget and Work Program will be incorporated by reference in the final Board package.

Proposal

The amendments being considered for Regulation III – Fees, focus on better recovering the costs of the various stationary source programs, conforming with revisions to state regulations and clarifying/correcting existing language in the rule. They include the following proposals:

(Regulation III) - Consumer Price Increase (CPI) and Approved 10 Percent Increase

All fees are proposed to be increased by the 4.1 percent change in the 2007 Consumer Price Index (CPI) in order to keep pace with inflation and continue better recovering program costs. No fee increase is proposed for Permitting, Annual Renewal and Emissions fees for which a 10 percent increase for FY 08-09 was adopted by the District Governing Board on June 9, 2006.

Rule 301(e) – Annual Operating Emissions Fee & Rule 301(k) – RECLAIM Facilities

Proposed changes to the District's Annual Emissions Reporting program include:

1. Changing from fiscal year (FY) reporting (July 1 through June 30) to calendar year (CY) reporting (January 1 through December 31) starting January 1, 2008,
2. A six month transitional emissions reporting period (July 1, 2007 through December 31, 2007),
3. Reduction of the emissions reporting thresholds to one-half (1/2) of the current values for both criteria & toxics during the six months transitional reporting period,
4. Inclusion of voluntary Greenhouse Gas (GHG) emissions reporting and its associated reporting deadlines,
5. First installment fees for calendar year 2008 emissions reporting using FY 06-07 reporting emissions,
6. Revision to Annual Emission Report (AER) submittal due dates, and
7. Minor rule language clarifications.

Starting January 1, 2008, facilities will be required to report their Annual Emission Reports (AER) based on a CY, from January 1 through December 31. This will align the AER reporting period with the reporting period requirements for the California Air Resources Board (CARB) mandatory reporting of GHG emissions. Facilities are also required to report their emissions using only the web-based program. This program is designed to provide the facilities with a tool to report their criteria and toxics emissions along with their GHG emissions. Reporting of the GHG emissions portion will be voluntary and it will apply to the facilities that are subject to the CARB's mandatory reporting of GHG emissions that choose to report their GHG emissions to the District and the CARB. All facilities will have January 1, 2009 as their official due date to submit the CY 2008 annual emission reports. All facilities, except for the ones that are subject to the CARB's mandatory reporting of GHG emissions, that choose to report their GHG emissions to the District and the CARB, have 60 days from the official due date to submit both the emissions report and fee payment without any late filing surcharges. For these facilities, the deadline to submit the CY 2008 annual emission report is March 2, 2009. For facilities that are subject to the CARB's mandatory reporting of GHG emissions, and choose to report their GHG emissions to the District

and the CARB, the deadlines to submit the calendar year 2008 annual emissions reports are as follows:

- a. April 1, 2009: Power generation & Co-generation facilities, General Stationary Combustion Sources ($\geq 25,000$ MT CO²) excluding oil & gas production facilities with a NAICS code of 211111.
- b. June 1, 2009: Cement plants, hydrogen plants, and refineries, general stationary combustion facilities within the oil & gas sector with a NAICS code of 211111.

The above deadlines coincide with the deadlines set forth in the CARB's Regulation for the Mandatory Reporting of GHG Emissions, adopted on December 6, 2007.

The following steps are designed to help transition from FY to CY reporting:

- ✓ AQMD will be developing a web-based program for Annual Emission Reporting.
- ✓ Facilities are required to report their six month transitional emissions (criteria and toxics) for the reporting period of July 1, 2007 through December 31, 2007 and pay emission fees using the current fee rate specified in Rule 301 Tables III and IV. The official due date to submit the six month transitional emission report is July 1, 2008. Facilities have 60 days from the official due date to submit both the emissions report and fee payment to avoid being subject to late filing surcharges. The deadline to submit the six month transitional report is September 1, 2008.
- ✓ Facilities have an option to report their six month transitional emissions using either the existing updated version of AER software or the new web-based program.
- ✓ During the six month transitional period (July 1, 2007 through December 31, 2007), the emission reporting thresholds (as shown in the table below) are reduced to one half (1/2) of the current values listed in paragraph (e)(5) for criteria pollutants and in Rule 301 Table IV for toxics compounds. For example, any facility with total criteria pollutants emissions greater than or equal to the threshold amount listed below shall report its emissions and pay fees as described in Rule 301 Table III.

Air contaminant(s)	Annual emissions threshold (TPY)
Gaseous sulfur compounds (expressed as sulfur dioxide)	≥2 TPY
Total organic gases (excluding methane, exempt compounds as specified in paragraph (e)(12), and specific organic gases as specified in paragraph (b)(26))	≥2 TPY
Specific organic gases	≥2 TPY
Oxides of nitrogen (expressed as nitrogen dioxide)	≥2 TPY
Total particulate matter	≥2 TPY
Carbon monoxide	≥50 TPY

- ✓ The first installment payment for facilities with emissions of criteria pollutants greater or equal to 10 tons per year, except for CO which is 100 tons per year, will be based on one half (1/2) of the reported previous annual emissions except for calendar year 2008 reporting. The installment payment for calendar year 2008 reporting will be based on one half (1/2) of the FY 06-07 reporting emissions. Facilities will still have an option to pay emission fees based on their actual emissions during the reporting period of January 1, 2008 through June 30, 2008.

For clarification purposes, there have been some minor changes in the rule language. For example in Rule 301(e)(10) - Notice to Pay and Late Filing surcharges, the language is revised to include that facilities are responsible to report their emissions and pay emissions fees if their actual emissions are greater than or equal to the reporting thresholds listed in Rule 301(e)(5), regardless of whether they were notified by the District.

Rule 301(d)(3) - Credit for Solar Energy Equipment

Currently, any facility with installed on-site solar power generation can receive a credit towards the facility annual renewal fee based on the British Thermal Unit per hour (Btu/hr) design capacity. The credit cannot exceed the billed facility annual renewal fee. Staff recommends limiting the current renewal fee credit to three years, not to exceed the billed facility annual renewal fee. This is justified and equitable since it would provide sufficient incentive for a facility to install solar generation, in addition to the incentive for reduced power costs while recovering the cost to the District for ensuring that the facility is in fact operating with solar power. In addition, projects funded by grant(s) from the District's Priority Reserve account would be ineligible for any solar energy credit. This is equitable since grant funding would defray the capital costs for installing on-site solar power generation and justified since the District would better recover the cost of ensuring compliance with solar power generation at the site.

Rule 301(v) - Portable Equipment Registration Program (PERP)

Staff recommends changes to Rule 301(v) in order to maintain consistency with the fees established in Section 2461 and ensure the recovery of costs expended in support of the PERP program. In 1995, the California state legislature directed the CARB to establish a Statewide Portable Equipment Registration Program (PERP), allowing the operation of portable equipment in any air district throughout the state without first obtaining a local district permit provided the equipment was registered with CARB and met other requirements. The PERP regulation (§§ 2450-2465, Title 13, California Code of Regulations) first became effective September 17, 1997. Joint CAPCOA and industry recommendations led CARB to amend the PERP regulation on June 22, 2006, December 7, 2006, and March 22, 2007, to expand its jurisdiction over portable engines and equipment units and create a more comprehensive and inclusive statewide registration program that now provides for triennial renewal of PERP registrations.

The amended PERP regulation, which became effective on April 27, 2007, includes a revised uniform fee structure that local districts follow when invoicing registration holders for the inspection of equipment units, Tactical Support Equipment (TSE) and off-hour service fees. Current Rule 301(v) language is based on the previous program fee of \$75.00 per calendar year for each registered portable engine or equipment unit inspected, which requires updating to properly implement the new statewide standards adopted by the CARB. In addition, the fees surcharge has been adjusted to better recover the staffing and overhead costs associated with billing and collection of delinquent fees. This proposal is justified since it provides for conformity of the District rule provision with changes to the PERP program implemented by the CARB. Inspection fees for portable engines, except TSE, are paid in advance and submitted to the CARB with the application for a new registration or renewal. At the time of the submittal, applicants are required to specify a "home district," the local district in which the equipment is anticipated to be operating most of the time. The CARB will provide a \$315.00 inspection fee to each district identified as the home district. The proposed fee

changes are necessary to ensure consistency with the statewide fee structure established by the CARB for the portable equipment registration program (Section 2461), which became effective April 27, 2007, and will offset staffing and overhead costs associated with the triennial inspection of this equipment.

Rule 306 Plan Fee Exemption for Rule 2249 Fleets

Rule 2449 – Control of Oxides of Nitrogen Emissions from Off-Road Diesel Vehicles adopts by reference and implements the “Surplus Off-Road Opt-In for NOx” provision of the CARB’s “In-Use Off-Road Diesel Vehicle” Regulation. Rule 2449 will achieve surplus NOx reductions beyond those required under CARB’s base regulation through incentive funding provided by AQMD. The rule applies to fleets with more than 20,000 hp in maximum power on a statewide basis with more than 40% Tier 0 and 1 equipment as of January 1, 2008. Fleet operators subject to this regulation are required to submit a compliance plan to demonstrate that equipment identified for Surplus Off-Road Opt-In for NOx (SOON) funding will result in surplus reductions. Staff is proposing to waive the compliance plan fee under Rule 306 – Plan Fees for the affected fleets under Rule 2449. Rule 2449 adopts the state regulation provision outlined in Title 13, California Code of Regulations (CCR), Section 2449.3, “SOON Program”. Since the CARB’s regulation (adopted through Rule 2449) requires the submittal of these compliance plans and reports to the CARB and districts without charging a fee for review, staff is proposing that Rule 2449 compliance plan fees be exempted in Rule 306(n) for these plan submittals. There will not be any fiscal impacts from the proposed amendments since implementation of Rule 2449 (including review of compliance plans) will be conducted within the AQMD’s existing budget for the Off-Road section of the AQMD Mobile Source Division. Implementation of Rule 2449 will result in substantial additional NOx reductions (i.e., 12 tons per day in 2014) which are critical for meeting the federal ambient air quality standard for PM2.5 in the Basin by 2014. The AQMD Board has approved the release of Program Announcement PA#2008-01 on November 2, 2007 to solicit SOON projects in 2008 based on an estimated incentive funding of \$30 million. Compliance plan fees are not required under the state regulation nor are needed since implementation of Rule 2449 will be conducted as part of the regular workload budgeted for the Off-Road Section of the AQMD Mobile Source Division.

Table 1 below summarizes the specific proposed amendments for FY 08-09:

Table 1: Summary of Proposed Changes to Regulation III - Fees

Reference	Summary
<p>REG III</p> <p>Cost Recovery</p>	<p><u>Consumer Price Index (CPI) Rate Fee Adjustment</u> <i>A rate increase of 4.1 percent in all fees, reflecting the 2007 Consumer Price Index (CPI) increase, except for Permit Processing Fees, Annual Operating Permit Renewal Fees and Annual Operating Emission Fees. The Governing Board amended Rule 301 – Permitting and Associated Fees and adopted Rule 313 – Authority to Adjust Fees and Due Dates on June 2, 2006 to increase those three fees by 10 percent in FY 2007-08; therefore, no change is recommended for those three fee categories.</i></p>
<p>301(c)(1)(F)</p> <p>Clarification</p>	<p><u>Fees for Emission Reduction Credit (ERC) Application Processing</u> <i>A change in the title of the subparagraph for fees charged for processing of identical equipment applications to clarify that the same fees are applicable to processing of ERC applications. Proposed text:</i> <i>Fees for Permit Processing for Identical Equipment or <u>ERCs</u></i></p>
<p>301(d)3)</p> <p>Administrative</p>	<p><u>Credit for Solar Energy Equipment</u> <i>A reduction in the annual renewal fee credit for facilities with solar power generation. Currently the solar credit can be for up to the full amount of the annual renewal fee per site based on generation at the site. In addition, projects funded by grant(s) from the District's Priority Reserve account would be ineligible for any solar energy credit. Proposed text:</i> <i>Any permittee required to pay an annual operating permit renewal fee shall receive an annual fee credit for <u>a period of three (3) years for any solar energy equipment installed at the site where the equipment under permit is located. Solar energy projects that receive grant funding from the Rule 1309.1 – Priority Reserve account shall not be eligible for this annual fee credit.</u></i></p>

<p>301(e)(5)</p> <p>Administrative</p>	<p><u>Emission Fee Thresholds</u> <i>Halves the emissions fee threshold for the transitional six month period (July 1, 2007 through December 31, 2007).</i> Proposed text:</p> <p>Each facility with emissions greater than or equal to the threshold amount of the contaminant listed below shall be assessed a fee as prescribed in Table III. <u>For the six month transitional reporting period pursuant to subparagraph (e)(8)(B) (July 1, 2007 through December 31, 2007), the fee shall be assessed on emissions greater than or equal to one-half (1/2) of the threshold amount listed below.</u></p> <table border="1"> <thead> <tr> <th>Air contaminant(s)</th><th>Annual emissions threshold (TPY)</th></tr> </thead> <tbody> <tr> <td>Gaseous sulfur compounds (expressed as sulfur dioxide)</td><td>≥4 TPY</td></tr> <tr> <td>Total organic gases (excluding methane, exempt compounds as specified in paragraph (e)(123), and specific organic gases as specified in paragraph (b)(268))</td><td>≥4 TPY</td></tr> <tr> <td>Specific organic gases</td><td>≥4 TPY</td></tr> <tr> <td>Oxides of nitrogen (expressed as nitrogen dioxide)</td><td>≥4 TPY</td></tr> <tr> <td>Total particulate matter</td><td>≥4 TPY</td></tr> <tr> <td>Carbon monoxide</td><td>≥100 TPY</td></tr> </tbody> </table>	Air contaminant(s)	Annual emissions threshold (TPY)	Gaseous sulfur compounds (expressed as sulfur dioxide)	≥4 TPY	Total organic gases (excluding methane, exempt compounds as specified in paragraph (e)(123), and specific organic gases as specified in paragraph (b)(268))	≥4 TPY	Specific organic gases	≥4 TPY	Oxides of nitrogen (expressed as nitrogen dioxide)	≥4 TPY	Total particulate matter	≥4 TPY	Carbon monoxide	≥100 TPY
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<p>301(e)(7)</p> <p>Administrative</p>	<p><u>Fees for Toxic Air Contaminants and Ozone Depleters</u> <i>Halves the toxic air contaminant and ozone depleters emissions fees threshold for the transitional six month period (July 1, 2007 through December 31, 2007).</i> Proposed text:</p> <p>Each facility emitting a toxic air contaminant or ozone depleter greater than or equal to the annual thresholds listed in Table IV shall be assessed an annual emissions fee as indicated therein. <u>For the six month transitional reporting period pursuant to subparagraph (e)(8)(B) (July 1, 2007 through December 31, 2007), the fee shall be assessed on emissions greater than or equal to one-half (1/2) of the threshold amount listed in Table IV.</u> The annual emissions fee for toxic air contaminants and ozone depleters shall be based on the total weight of emissions of these contaminants associated with all equipment and processes including, but not limited to, material usage, handling, processing, loading/unloading; combustion byproducts; and fugitives (equipment/component leaks).</p>														

	<p>(A) Any dry cleaning facility that emits less than two (2) tons per year of perchloroethylene <u>or less than one (1) ton per year for the six month transitional reporting period from July 1, 2007 through December 31, 2007</u>, and qualifies as a small business as defined in the general definition of Rule 102, shall be exempt from fees listed in Table IV.</p> <p>(B) Any facility that emits less than two (2) tons per year, <u>or less than one (1) ton per year for the six month transitional reporting period from July 1, 2007 through December 31, 2007</u> of formaldehyde, perchloroethylene, or methylene chloride, may petition the Executive Officer, at least thirty (30) days prior to the official submittal date of the annual emissions report as specified in paragraph (e)(710), for exemption from formaldehyde, perchloroethylene, or methylene chloride fees as listed in Table IV.</p>
<p>301(e)(8)</p> <p>Administrative</p>	<p><u>Reporting of Total Emissions from Preceding Reporting Period and Unreported or Under-reported Emissions from Prior Reporting Periods</u></p> <p><i>A change in the annual reporting of emissions and payment of associated fees from a fiscal year (FY) to a calendar year (CY) time frame, beginning on January 1, 2008. Establishment of a “six month transitional” reporting and fee payment time period from July 1, 2007 through December 31, 2007. Default emission factors will be made available in a manner specified by the Executive Officer and only upon request. Reporting of emissions that should have been reported but were not. Proposed text:</i></p> <p>(B) Beginning—<u>During the period of July 1, 1994, through December 31, 2007,</u> the reporting period for annual operating permit emissions fees shall be from July 1 of a given year through June 30 of the following year. <u>A six month emissions report and fees will be due for the reporting period from July 1, 2007 through December 31, 2007. Beginning January 1, 2008, the reporting period for annual operating emissions fees shall be from January 1 through December 31 of each year.</u></p> <p>(C) The Executive Officer will determine default emission factors applicable to each piece of permitted equipment or group of permitted equipment, and <u>make them available to</u></p>

	<p><u>the owner/operator in a manner specified by the Executive Officer and provide them to the owner/operator in a general mailing, or upon request.</u> In determining emission factors, the Executive Officer will use the best available data. A facility owner/operator can provide alternative emission factors that more accurately represent actual facility operations subject to the approval of the Executive Officer.</p> <p>(D) A facility owner/operator shall report to the Executive Officer, in the same manner, and quantify any emissions of air contaminants in previous reporting periods which had not been reported correctly <u>and should have been reported</u> under the requirements in effect in the reporting period in which the emissions occurred and should have been reported.</p>
<p>301(e)(9)</p> <p>Administrative</p>	<p><u>Request to Amend Emissions Report and Refund Emissions Fees</u> <i>“Amendment Requests” and “Refund Requests” may now be due on January 1 or other applicable date, in addition to July 1.</i> Proposed text:</p> <p>(A) A facility owner/operator shall submit a written request (referred to as an “Amendment Request”) for any proposed revisions to previously submitted annual emissions reports. Amendment requests with no fee impact, submitted after one (1) year and sixty (60) days from the official due date (<u>July 1, January 1 or as applicable</u>) of the subject annual emissions report shall include a non-refundable standard evaluation fee of \$221.62 for in FY 06-07, \$243.78 for in FY 07-08 and \$268.16 for in FY 08-09 for each subject facility and reporting period. Evaluation time beyond two hours shall be assessed at the rate of \$110.83 for in FY 06-07, \$121.91 for in FY 07-08 and \$134.10 for in FY 08-09 per hour and shall not exceed ten (10) hours. Amendment requests received within one year (1) and sixty (60) days from the official due date (<u>July 1, January 1 or as applicable</u>) of a previously submitted annual emissions report shall not incur any such evaluation fees. The Amendment Request shall include all supporting documentation and copies of revised applicable forms.</p> <p>(B) A facility owner/operator shall submit a written request (referred to as a “Refund Request”) to correct the previously submitted annual emissions reports and request a refund of overpaid emission fees. Refund Requests must be submitted within one (1) year and sixty (60) days from the official due</p>

	<p>date (July 1, January 1 or as applicable) of the subject annual emissions report to be considered valid. The Refund Request shall include all supporting documentation and copies of revised applicable forms. If the Refund Request is submitted within one (1) year and sixty (60) days from the official due date (July 1, January 1 or as applicable) of the subject annual emissions report, and results in no fee impact, then the facility owner/operator shall be billed for the evaluation fee pursuant to subparagraph (e)(9)(A).</p>
<p>301(e)(10)(A)</p> <p>Administrative</p>	<p><u>Notice to Pay and Late Filing Surcharge</u></p> <p><i>Filing reports and paying emissions fees are the responsibility of the owner/operator regardless of notification. Semi-annual reports and fees are due on January 1 for fiscal year reporting or July 1 for calendar year reporting which begins January 1, 2008. Annual reports and fees are due on July 1 for fiscal year reporting or January 1 for calendar year reporting which begins January 1, 2008. Submissions are considered late if received more than 60 calendar days after the applicable due date (January, July or as applicable) unless the 60th day falls on an official holiday, in which case it would then be considered late on the next business day.</i></p> <p>Proposed text:</p> <p>A notice to report emissions and pay the associated emission fees will be mailed annually to the owners/operators of all equipment (as shown in District records) to which this subdivision applies. A notice to pay the semi-annual fee specified in paragraph (e)(11) will also be mailed to facilities which in the preceding reporting year emitted any air contaminant equal to or greater than the emission thresholds specified in subparagraph (e)(11)(A). Emissions <u>reports and fee payments are the responsibility of the owner/operator regardless of whether the owner/operator was notified. Fees are due and payable immediately on receipt of the notice to pay.</u>The due date to submit the emissions fees and reports for:</p> <p>(i) <u>Semi-annual reports is January 1 for fiscal year reporting during July 1, 1994 through December 31, 2007, and July 1 for calendar year reporting beginning January 1, 2008 and after.</u></p> <p>(ii) <u>Annual reports is July 1 for fiscal year reporting during July 1, 1994 through December 31, 2007, and January 1 for calendar year reporting beginning January 1, 2008 and after.</u></p>

	<p>If both the fee payment and the completed emissions report are not received by the sixtieth (60th) day following January 1, <u>July 1 or as applicable</u> (for semi-annual reports), or July 1, <u>January 1 or as applicable</u> (for annual reports), they shall be considered late; and surcharges for late payment shall be imposed as set forth in subparagraph (e)(10)(B). For the purpose of this subparagraph, the emissions fee payment and the emissions report shall be considered to be timely received by the District if it is postmarked on or before the sixtieth (60th) day following <u>the official due date (July 1, January 1 (for semi-annual reports), July 1st (for annual reports), or as applicable</u>). If the sixtieth (60th) day falls on a Saturday, Sunday, or a state holiday, the fee payment and emissions report may be postmarked on the next business day following the Saturday, Sunday, or the state holiday with the same effect as if they had been postmarked on the sixtieth (60th) day.</p>
<p>301(e)(11)</p> <p>Administrative</p>	<p><u>Semi-Annual Emissions Fee Payment</u></p> <p><i>Facility is changed to owner/operator. The installment payment for calendar year 2008 emissions fees will be based on one-half of the emissions reported for FY 2006-2007. Alternatively payment may be made on actual emissions for the prior six months. Beginning January 1, 2008 and thereafter the report must contain an itemization of emissions for the preceding twelve (12) months of the calendar reporting period. Due dates are changed to include July 1 or as applicable and pursuant to paragraph (e)(10). Proposed text:</i></p> <p>(A) For facilities emitting the threshold amount of any contaminant listed below, the Executive Officer will estimate one half (1/2) of the previous annual emission fees and request that the permit holder pay such an amount as the first installment on annual emission fees for the <u>current reporting period of July 1 through June 30. This fee is due by January 1 of each year.</u> <u>The installment payment for calendar year 2008 annual emission fees will be based on one half (1/2) of the emissions reported for fiscal year 2006-2007.</u></p>

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Total particulate matter	≥10 TPY															
Carbon monoxide	≥100 TPY															
	<p>(B) In lieu of payment of one half the estimated annual emission fees, the <u>facility owner/operator</u> may choose to report and pay on actual emissions for the first six months (July 1 through December 31 <u>for fiscal year reporting prior to January 1, 2008 or January 1 through June 30 for calendar year reporting beginning January 1, 2008 and thereafter</u>). By July 1, <u>January 1 or as applicable</u>, the permit holder shall submit a final Annual Emission Report together with the payment of the balance;; the annual emission fees less the first installment previously paid. <u>For fiscal year reporting prior to January 1, 2008, the report shall contain an itemization of emissions from July 1 of the preceding calendar year through June 30 of the current applicable calendar year.</u> For calendar year reporting beginning January 1, 2008 and thereafter, the report shall contain an itemization of emissions for the preceding twelve (12) months of the reporting period (January 1 through December 31).</p> <p>(C) An installment fee payment is considered late and is subject to a surcharge if not received within sixty (60) days of the due date (<u>July 1, January 1 or as applicable</u>) pursuant to paragraph (e)(910).</p>															
301(e)(14)	<p>Reporting Emissions and Paying Fees</p> <p><i>For the six month reporting period (July 1, 2007 through December 31, 2007) fees are shown in Tables III, IV and V and subparagraph (e)(2), excluding installment fees paid by March 1, 2008. Proposed text:</i></p>															
Administrative																

	<p>For the <u>six month</u> reporting period of July 1, 2006-2007 to <u>through June 30</u> December 31, 2007 and calendar year 2007 <u>2008</u>, emission fees shall be determined in accordance with fee rates specified in Tables III, IV and V, and subparagraph (e)(2). Installment fees that have been paid for <u>Semi-Annual Emission Fees</u> by the March 1, 2007-2008 <u>deadline</u> shall not be subject to this provision.</p>
<p>301(e)(15)</p> <p>Administrative</p>	<p><u>Deadline for Filing FY 2006-2007 Annual Emissions Report and Fee Payment</u></p> <p><i>Deadlines for filing AER's and paying associated fees for both FY and CY filings. District CY filings and fee payments intended to align with CARB GHG CY reporting and fee payment requirements</i></p> <p>Proposed text:</p> <p><u>The deadline for filing annual emissions reports and fee payments is as follows:</u></p> <p>(A) Notwithstanding any other applicable Rule 301(e) provisions regarding the annual emissions report and emission fees, for the reporting period of July 1, 2006-2007 to June 30 <u>December 31, 2007</u>, the fee payment and the completed annual emissions report shall be received by the District, or postmarked, on or before August 30, 2007 <u>September 1, 2008</u> to avoid any late payment surcharges specified in subparagraph (e)(10)(B), <u>or</u></p> <p>(B) <u>The deadline for filing the calendar year 2008 Annual Emissions Report and fee payment shall be March 2nd, 2009. For any facility that is subject to the Regulation for the Mandatory Reporting of Green house Gas (GHG) emissions adopted by the California Air Resources Board (CARB) on December 6, 2007, or subsequent revisions that voluntarily elect to report the GHG emissions to the District in the manner prescribed by the Executive Officer, the deadline for filing Annual Emissions Reports and fee payments shall coincide with the deadlines set forth in the Regulation for the Mandatory Reporting of GHG emissions adopted by the CARB on December 6, 2007, or subsequent revisions</u></p>

<p>301(k)(10)</p> <p>Administrative</p>	<p><u>RECLAIM Pollutant Emission Fee</u></p> <p><i>The deadlines for RECLAIM facilities are revised for filing AER's and paying associated fees for both FY and CY filings. District CY filings and fee payments concurrent with proposed Rule 301(e) are intended to align with CARB GHG CY reporting and fee payment requirements. Proposed text:</i></p> <p>At the end of the timereporting period specified in subparagraph (e)(8)(B) of July 1 through June 30, RECLAIM facilities shall pay a RECLAIM Pollutant Emission Fee based on the facilities' total certified RECLAIM pollutant emissions. For facilities emitting ten (10) tons per year or more of any contaminant the previous year, the Facility Permit holders shall pay a semi-annual installment equal to one half (1/2) of the total estimated fee with final balance due at the end of the <u>reporting period of July 1 through June 30</u>.</p> <p>(A) The Facility Permit Holder shall pay emission fees according to the provisions of subdivision (e) for all emissions that are not accounted for with RECLAIM pollutant emissions. The Facility Permit holder shall add non-RECLAIM emissions to applicable RECLAIM emissions to determine the appropriate fee rate from Table III fee rate per ton of emissions.</p> <p>(B) For the time period of July 1 through June 30 of each year, Facility Permit Holders shall pay RECLAIM Pollutant Emission Fees according to the provisions of subdivision (e), except that:</p> <p>(i) Fees based on emissions of RECLAIM pollutants as defined in Rule 2000(c)(58) for annual payments shall be calculated based on certified emissions as required by paragraph (b)(2) or (b)(4) of Rule 2004, as applicable;</p> <p>(ii) RECLAIM Pollutant Emission Fees shall be due <u>as established by subdivision (e) of this rule</u> by July 1 of each year for both Cycle 1 and Cycle 2 Facilities;</p> <p>(iii) Facilities emitting ten (10) tons per year or more of a RECLAIM pollutant during the previous timereporting period of July 1 through June 30, shall also pay a semi-annual installment based on either (a) one-half (1/2) of the facility's RECLAIM pollutant fees for the previous year (July 1 through June 30); or (b) emissions certified in the</p>
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	<p>first two (2) quarters falling in the time period of July 1 through September 31, and October 1 through December 31 that coincides with the first six (6) months of the current reporting period, by the deadline as required by paragraph (b)(2) and (b)(4) of Rule 2004, due by January 1 of each year as established by subdivision (e) of this rule for both Cycle 1 and Cycle 2 Facilities.</p>
<p>301(v)</p> <p>Cost Recovery</p>	<p><u>Portable Equipment Registration Program (PERP) Fees</u> <i>Revision of portable equipment registration program (PERP) for consistency with changes implemented by the California Air Resources Board. Proposed text:</i></p> <p><u>(1) Registered Portable Equipment Unit Inspection Fee</u> Registered portable equipment units are those which emit PM10 in excess of that emitted by an associated engine alone. An hourly fee of \$98.00 shall be assessed for a triennial portable equipment unit inspection, including the subsequent investigation and resolution of violations, if any, of applicable state and federal requirements, not to exceed \$500.00 per unit.</p> <p><u>(2) Registered Tactical Support Equipment (TSE) Inspection Fee</u> Registered TSE includes registered equipment using a portable engine, including turbines, that meet military specifications, owned by the U.S. Department of Defense, the U.S. military services, or its allies, and used in combat, combat support, combat service support, tactical or relief operations, or training for such operations.</p> <p><u>(A) To determine compliance with all applicable state and federal requirements, each registered TSE unit will be inspected once per calendar year.</u></p> <p><u>(i) For registered TSE units determined to be in compliance with all applicable state and federal requirements during the annual inspection:</u></p> <p><u>(A) A fee for the annual inspection of a single registered TSE unit shall be assessed at a unit cost of \$75.00.</u></p> <p><u>(B) A fee for annual inspection of two or more registered TSE units at a single location shall be assessed at the lesser of the following costs:</u></p> <p><u>(1) The actual time to conduct the inspection</u></p>

	<p style="text-align: center;"><u>at the rate of \$100.25 per hour; or</u></p> <p style="text-align: center;">(2) <u>A unit cost of \$75.00 per registered TSE unit inspected.</u></p> <p>(ii) <u>For registered TSE units determined to be out of compliance with one or more applicable state or federal requirements during the annual inspection, fees for the annual inspection (including the subsequent investigation and resolution of the violation) shall be assessed at the lesser of the following costs:</u></p> <p style="text-align: center;">(1) <u>The actual time to conduct the inspection at the rate of \$100.25 per hour; or</u></p> <p style="text-align: center;">(2) <u>A unit cost of \$75.00 per registered TSE unit inspected.</u></p> <p>(3) <u>Off-hour Inspection Fee</u> <u>In addition to the inspection fees stated above, any arranged inspections requested by the holder of the registration that are scheduled outside of AQMD's normal business hours may be assessed an additional off-hour inspection fee of \$39.14 per hour for the time necessary to complete the inspection.</u></p> <p>(4) <u>Notice to Pay and Late Payment Surcharge</u> <u>A notice to pay the inspection fees will be mailed to the registration holder. Fees are due and payable immediately upon receipt of the notice to pay. All inspection fees required under this section are due within 30 days of the invoice date. If fee payment is not received by the thirtieth (30th) day following the date of the notice to pay, the fee shall be considered late and, a late payment surcharge of \$67.00 per portable engine or equipment unit shall be imposed, not to exceed \$134.00 for any notice to pay. For the purpose of this subparagraph, the inspection fee payment shall be considered to be timely received by the District if it is postmarked by the United States Postal Service on or before the thirtieth (30th) day following the date of the notice to pay. If the thirtieth (30th) day falls on a Saturday, Sunday, or a state holiday, the fee payment may be postmarked on the next business day following the Saturday, Sunday, or the state holiday with the same effect as if it had been postmarked on the thirtieth (30th) day. Failure to pay the inspection fees and any late payment surcharge within 120 days of the date of the initial notice to pay may result in the suspension or revocation of the registration by the California</u></p>
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	<u>Air Resources Board (CARB). Once a registration has been suspended, CARB will not consider reinstatement until all fees due, including late payment surcharge fees, have been paid in full.</u>														
Table III – Emission Fees	<u>Annual Emissions limit in Table III</u> <i>The annual emissions fee category limit is changed from > 100 TPY to ≥100 TPY. Proposed text:</i>														
Clarification	<table><tr><th>Annual Emissions (tons/yr)</th><th>Organic Gases* (\$/ton)</th><th>Specific Organics** (\$/ton)</th><th>Nitrogen Oxides (\$/ton)</th><th>Sulfur Oxides (\$/ton)</th><th>Carbon Monoxide (\$/ton)</th><th>Particulate Matter (\$/tons)</th></tr><tr><td>≥100</td><td>-</td><td>-</td><td>-</td><td>-</td><td>\$6.18</td><td>-</td></tr></table>	Annual Emissions (tons/yr)	Organic Gases* (\$/ton)	Specific Organics** (\$/ton)	Nitrogen Oxides (\$/ton)	Sulfur Oxides (\$/ton)	Carbon Monoxide (\$/ton)	Particulate Matter (\$/tons)	≥100	-	-	-	-	\$6.18	-
Annual Emissions (tons/yr)	Organic Gases* (\$/ton)	Specific Organics** (\$/ton)	Nitrogen Oxides (\$/ton)	Sulfur Oxides (\$/ton)	Carbon Monoxide (\$/ton)	Particulate Matter (\$/tons)									
≥100	-	-	-	-	\$6.18	-									
306(n)	<u>Plan Fee Exemption</u> <i>Rule 2449 compliance plans exempted from Rule 306 – Plan Fees.</i>														
Clarification	<p>Proposed text:</p> <p>Mobile Source Emission Reduction Credit (MSERC) Applications, Compliance Plans required under Regulation XVI and Rule 2449 – <u>Control of Oxides of Nitrogen from Off-Road Diesel Vehicles</u> and Technical Infeasibility Certification Requests as cited in District Fleet Rules under Regulation XI shall be exempt from the provisions of this rule. Fees for Regulation XVI MSERC Applications and Compliance Plans shall be assessed in accordance with District Rule 309.</p>														

Table 2 below summarizes the preliminary estimated net increase in revenue from FY 07-08 to FY 08-09 based on the adoption of the above proposed amendments:

Table 2. Summary of Estimated Increased Cost Recovery for FY 08-09

Proposed Amendment	Preliminary Estimated Net Increase in Revenues in Millions of Dollars
Impact of 2006 Amendment* [Reg III]	7.10
Proposed 4.1% CPI Increase [Reg III]	0.08
Fees for ERC Application Processing [301(c)(1)(F)]	-
Credit for Solar Energy Equipment [301(d)(3)]	-
FY to CY For AER and EFB [301(e) and (k)]	-
PERP Revision [301(v)]	0.80
Annual Emissions Limit Clarification [301 Table III]	-
Rule 2449 Plan Exemption [306(n)]	-
TOTAL	7.98

* 10% increase in Permit, Annual Operating Permit Renewal and Annual Operating Emissions fees approved by the District Governing Board on June 9, 2006.

AQMP and Legal Mandates

The fee rules are not part of the AQMP. California Health and Safety Code §§ 40500 et seq. established the authority to “adopt fee schedules for the issuance of variances and permits to cover the reasonable cost of permitting, planning, enforcement, and monitoring related thereto,” and to assess fees for the approval of plans for the control of air contaminants and for regulatory programs affecting indirect and area sources (H&S §§ 40522 and 40522.5). California Health and Safety Code Sections 40500.1, 40510, 40510.5 and 40523 authorize AQMD to increase fees consistent with annual increases in the California Consumer Price Index (CPI).

CEQA & Socioeconomic Analysis

AQMD staff has reviewed the proposed amendments to Rules 301, 303, 304, 304.1, 305, 306, 307.1, 308, 309, 311, and 313, and because the proposed project involves the modification and structuring of charges by public agencies for the purpose of meeting operating expenses and financial reserve requirements, it is statutorily exempt from CEQA, pursuant to state CEQA Guidelines § 15273 – Rates, Tolls, Fares, and Charges.

A Notice of Exemption will be filed with the county clerks immediately following adoption of the proposed project.

A Socioeconomic Assessment of the proposed amendments to Regulation III - Fees will be prepared and distributed to the public 30 days prior to the Public Hearing for this amendment.

Resource Impacts

No additional resource impacts are expected.

DRAFT